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both Ricardo and Malthus had this idea. Malthus worked out something like a system deduced from a scientific basis, and I should think that it influenced Ricardo more than Professor Patten has supposed. I think very likely Professor Patten will agree with me in this. Yet I agree that Ricardo was not primarily interested in distribution. That is shown in his first chapter on value, in which he slides over the question of differences in wages in different employments. Nothing is more suggestive of the different ways in which the theory of distribution presented itself to Ricardo and to us than the neglect of that phase by Ricardo and the constantly growing attention which has been given to it by us in our own time. Ricardo did not speak of that at all, and the fact confirms, I think, what Professor Patten says when he throws out his first chapter in political economy and the bearing of his theory on the general question of distribution. It had not occurred to him. He had paid no attention to it.

“THE ULTIMATE STANDARD OF VALUE.”

BY PROFESSOR J. B. CLARK, OF SMITH COLLEGE.

A scientific standard for the absolute measurement of values is a necessity. Reciprocal standards give no sums total. The difficulty of attaining a usable standard disappears when we recognize the social nature of value. The practical world uses the dollar for this purpose because currency is adapted to represent social rather than individual labor. A labor unit that will measure wealth must be an act or experience of society.

Four difficulties are ordinarily encountered in attempts to use labor as a unit of measurement of wealth: (1) Commodities are produced by capital and labor coöperating; (2) workmen are of different grades of efficiency; (3) work consists of acts as heterogeneous as things; (4) the personal sacrifice involved in labor varies in the case of different kinds of work, and in the case of different parts of a day's work.

The first difficulty is removed by taking marginal labor as the standard. Let the capital of an establishment remain unchanged; introduce new labor into it and measure the difference, in productiveness, that is occasioned. The extra product is due to labor only.

The second difficulty is remedied by taking a part of the labor of a group of men representing all grades of efficiency.

The third obstacle is removed by regarding as the unit not the acts that constitute labor, but the sacrifice entailed by it.

The fourth difficulty is overcome by taking as the standard the sacrifice entailed on society as a whole by the work performed in the last and most burdensome period of the working day.

The sacrifice involved in a day's labor is slight in the earliest hour and is greatest at the end of the last.

The sacrifice entailed on society as a whole by the work performed in the last brief portion of a day is the unit of measurement.

Discussion.

Professor Ely: I would like to ask Professor Clark if he remembers accurately the treatment of this

subject by Adam Smith and whether there is any relation between the two.

Professor Clark: I did make that comparison two or three years ago. It struck me that Adam Smith's view was an advanced one, and that he regarded labor as the standard, but did not overcome the difficulties to which I have referred.

Professor Commons: I would like to ask Professor Clark where he introduces the question of monopoly value.

Professor Clark: I should suppose that in the case of monopolies it would be absolutely necessary to introduce a second part of the discussion, omitted from my paper, a discussion of capital. In my conception the person who has a monopoly has to pay for it. If a man buys land he has to get possession of that by a certain amount of expenditure, involving sacrifice.

Professor Ely: It seems to me that Professor Clark has not answered the question of Professor Commons. Professor Clark, as I understand it, takes the position that the person who goes into the market and acquires a monopoly has to pay for it by abstinence. How about the person who first gets the monopoly? The acquisition in the first instance has nothing to do with abstinence so far as I have seen. After monopoly value is fixed, some one comes around and pays for it, but what gives it this first value?

Professor Clark: I should say that the abstinence element accounts for a part of it and not for the remainder. In the case of many monopolies of artificial character we should have to treat them as a deduction from the income of other classes, intro-

ducing an element of variation capable of being so treated and allowed for in the result.

Professor Ross: Does not that variation do away with the whole standard, for there is hardly a product which has not the monopoly element in it? There must be something in the subjective experience of the consumer which is the ultimate standard from the fact that these monopolies do have this surplus above the cost of the labor and the abstinence, and which must be due to a cause that gives value to the monopoly as well as to the other products of abstinence and labor. Are we then not forced to measure value by the experiences of consumers?

Professor Clark: The variation affects the distribution of wealth rather than the *standard* of value. Let us suppose a perfect monopoly. I should say that it would nevertheless sell at the price exactly corresponding to the burden entailed on society by putting in the final increment of labor. Possibly the monopoly would slightly prolong the period of labor all along the line. The value of the article would be measured by the amount of final sacrifice that would be entailed on all society, if that monopolized article were put out of existence and society had to supply it in any other way.

Professor Ross: Do I understand, then, that the measure is the burden entailed on other people who purchase this article, the burden entailed in increasing production to meet the marginal purchase?

Professor Clark: I should say so.

Professor Ross: Suppose the monopolist were buying in the market, or that there were two monopolists. Then where does the sacrifice come in, if the sacrifice is the alternative sacrifice of the consumer and not the

positive sacrifice of the producer? The consumer's sacrifice, however, is inferior to the selling price of the goods. Can we by shifting the point of view from the producer to the consumer escape this breach, as it seems to me, in the theory?

Professor Clark: The measure of the exchange is that of the producer. The producer of a particular article, putting it in the market, saves society some sacrifice in the way of production. In the case of each monopoly the final increment of labor under that monopoly would fix the standard of value for the other monopoly, if the theory is correct.

Professor Ely: I earnestly wish there were time to discuss this question indefinitely. It is one that interests me very much, and I hope I may at some future time read a paper on the subject. I do not believe we will ever be able to treat this subject satisfactorily unless we scientifically treat the subject of monopolies. I think we must distinguish between monopolies and labor. I do not believe that land is a natural monopoly. I believe there are natural monopolies of the greatest importance in the present time, but I do not believe that land is a natural monopoly. We must distinguish between rent and other economic surplus down to the monopoly and then bring them into connection with what Professor Clark sought in the treatment of his subject.

Professor Patten: What the ultimate standard is I think is a psychological problem on which it is likely we would differ here, and honestly. There are two ways of measuring, in terms of pain and in terms of pleasure. In primitive society pains are the definite things, and therefore the ultimate standards are standards of pain. As society makes progress a

change comes over us; our pain becomes more and more indefinite, our pleasure more and more definite. The earliest economists always endeavored to measure wealth in terms of pain. What is the dollar in your mind? Is it certain efforts that you have put forth, or certain pleasures that it will bring? I measure the dollar not in terms of what it cost but in terms of what I can get out of it. It seems to me that it will not do for the economist of the future to measure in terms of pain. We must recognize the change that is going on and find our ultimate standard in terms of pleasure. We have moved from the point where the theory of cost was fundamental to a point where the theory of pleasure is fundamental. It may be that our ancestors were conscious that if they did not work they would have a hungry stomach, but we do not know what it is to be hungry.

THE IDEA AND DEFINITION OF VALUE.

BY PROFESSOR FRANKLIN H. GIDDINGS, OF BRYN MAWR COLLEGE.

If we classify the different conceptions of value that have figured in economic literature since the days of John Locke we shall find no less than five great groups or classes of definitions, under which there are no less than twelve species. In all these definitions we find an idea of utility or of disutility, and an idea of measurement. Recent thinking has led us farther and farther along the path toward a definition of value in terms of utility. But in my judgment the definition that identifies subjective value with subjective utility is cardinally defective.